

EXHIBIT 11.1  
PARTY WAIVER AND RELEASE OF CLAIMS

1. Except as provided in paragraph 2, the State Parties (which, for the purpose of this Exhibit 11.1, are defined as the State of Arizona, acting solely in its proprietary capacity, and all other parties to the Zuni Indian Tribe Water Rights Settlement Agreement in the Little Colorado River Basin, dated June 7, 2002 ("Settlement Agreement"), except the Zuni Indian Tribe, its members (collectively, the "Tribe"), and the United States in its capacity as trustee for the Zuni Tribe or its members or otherwise acting on behalf of the Zuni Tribe or its members (the "United States")), in consideration of the benefits realized under the Settlement Agreement and in accordance with the commitments under paragraph 11.1 and 11.5 of the Settlement Agreement, hereby waive and release against the Zuni Tribe and the United States:

- A. Any and all past and present claims for injuries to their water rights or water quality (including water rights in groundwater, surface water and effluent) accruing through the Enforcement Date (as the Enforcement Date is defined in the Settlement Agreement) that the State Parties may have against the Tribe or against the United States, under the laws of the United States, the State of Arizona, or otherwise, caused by diversions of surface water in the Eastern LCR basin (as that basin is defined in the Settlement Agreement) or withdrawals of groundwater on the Zuni Lands (as those Lands are defined in the Settlement Agreement).
- B. Future claims for injuries to water quality accruing after the Enforcement Date on any lands within the Eastern LCR basin (as that term is defined in the Settlement Agreement) caused by the following actions on Zuni Lands:
  - (1) The lawful diversion or use of surface water;
  - (2) The lawful withdrawal or use of underground water;
  - (3) The Parties' performance of their obligations under the Settlement Agreement;
  - (4) Discharge of oil (as oil is defined in the Settlement Agreement) associated with routine physical or mechanical maintenance of wells or diversions structures;
  - (5) Discharge of oil associated with routine start-up and operation of well pumps; or
  - (6) Any combination thereof.

2. Notwithstanding the execution by the State Parties of this Waiver and Release of Claims, the State Parties shall retain the right to assert, as provided in paragraph 11.5 of the Settlement Agreement, the following claims against the Zuni Tribe and the United States:

- A. Claims for breach or enforcement of the terms of the Settlement Agreement or of rights recognized in the Settlement Agreement or in the Zuni Indian Tribe Water Rights Settlement Act of 200\_\_\_, including claims for future injuries to such rights;
- B. Claims for water rights, including injuries to those water rights subject to the terms of the Settlement Agreement, including but not limited to subparagraphs 4.2.A and 4.6.A of the Settlement Agreement; or
- C. Claims for future injuries to water quality, as described below:
  - (1) Claims accruing after the Enforcement Date for injuries to water quality that are not waived in paragraph 1.B;
  - (2) Except as provided in subparagraphs 1.B(4) and (5), claims for injuries to water quality accruing after the Enforcement Date against the Tribe or the United States if the Tribe or the United States is responsible for initially disposing of or initially releasing a Hazardous Substance (as Hazardous Substance is defined in the Settlement Agreement) or oil, even if the migration of that Hazardous Substance or oil is caused by the Tribe's or the United States' lawful diversion of surface water or lawful withdrawal of underground water;
  - (3) Notwithstanding subparagraph 1.B, claims accruing at least 30 years after the Enforcement Date under CERCLA (as CERCLA is defined in the Settlement Agreement) for injuries to water quality caused by release of a Hazardous Substance;
  - (4) Notwithstanding subparagraph 1.B, claims accruing at least 30 years after the Enforcement Date under the Oil Pollution Act (as that Act is defined in the Settlement Agreement) for injuries to water quality caused by the discharge of oil, except for claims for injuries caused by the discharge of oil associated with routine physical or mechanical maintenance of wells or diversions structures and the discharge of oil associated with routine start up and operation of well pumps; or
  - (5) Notwithstanding subparagraph 1.B, claims accruing at least 30 years after the Enforcement Date under Subtitle I of RCRA (as RCRA is defined in the Settlement Agreement) for injuries to water quality caused by the discharge of petroleum from underground storage tanks.

3. Nothing in this Waiver and Release of Claims affects the State Parties' ability to make any claims of water rights or injuries to water rights or water quality (including water rights in groundwater, surface water and effluent) against any other Indian tribe, band or community or against the United States on behalf of any such tribe, band or community.

4. Nothing in this Waiver and Release of Claims affects any right of the State of Arizona to take any actions, including enforcement actions, under any statutes, regulations, or any other applicable laws relating to water quality or the environment.

5. For purposes of this Waiver and Release of Claims, a claim or cause of action accrues when any party knows or reasonably should know that it has been damaged, unless another statutory standard applies.

6. Nothing in this Waiver and Release of Claims prevents the State Parties from participating with other entities in further activities to augment the water supply available to the LCR basin.

7. Tribal Member Entitlements. Any entitlement to water (including groundwater, surface water and effluent) of any individual member of the Zuni Tribe for Zuni Lands shall be satisfied out of the water resources provided to the Zuni Tribe in the Settlement Agreement.

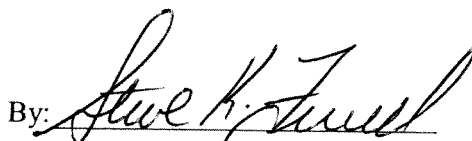
8. This Waiver and Release of Claims becomes effective and enforceable on the Enforcement Date.

DATED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 200\_\_.

THE STATE OF ARIZONA

By: 

THE ARIZONA GAME AND FISH  
COMMISSION

By: 

THE ARIZONA STATE LAND  
DEPARTMENT

By: Michael E. Gable

THE ARIZONA STATE PARKS BOARD

By: Sharon

ST. JOHNS IRRIGATION & DITCH  
COMPANY

By: Deep

LYMAN WATER COMPANY

By: Jim Hauer

ROUND VALLEY WATER USERS'  
ASSOCIATION

By: Richard A. Vell

SALT RIVER PROJECT  
AGRICULTURAL IMPROVEMENT AND  
POWER DISTRICT

By: William P. Schrade

TUCSON ELECTRIC POWER  
COMPANY

By: P.A. Delawd

CITY OF ST. JOHNS

By: Russ Cherron

TOWN OF EAGAR

By: Sandra L. Burk

TOWN OF SPRINGVILLE

By: Kay Dym